

MINUTES OF THE CITY COUNCIL
CITY OF AUSTIN, TEXAS
Special Called Council Meeting

January 18, 1978
7:00 P.M.

Council Chambers
301 West Second Street

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Councilmembers Cooke, Goodman, Himmelblau, Mullen, Snell, Mayor Pro Tem Trevino

Absent: None

Mayor McClellan opened the meeting by stating that the City Manager had a recommendation to make for an appointment to the Civil Service Commission. City Manager Dan Davidson asked that Mr. Roy Butler be confirmed by the Council to serve on the Civil Service Commission. He recommended that the effective starting date be May 15, 1978 and the date of termination on May 6, 1980.

Motion

Councilmember Goodman moved that the Council approve the appointment of Mr. Roy Butler to the Civil Service Commission as recommended by the City Manager. The motion, seconded by Councilmember Cooke, carried by the following vote:

Ayes: Mayor McClellan, Councilmembers Cooke, Goodman, Himmelblau, Mullen, Snell

Noes: None

Not in Council Chamber when roll was called: Mayor Pro Tem Trevino

MESSAM RHODES, representing Touche Ross Consultants, reviewed some of the recommendations for the proposed rate structure as outlined in the previous Touche Ross presentation of December 29, 1977. He told the Council that his company's main goal in the rate structure design was to achieve a revenue stability for the electric utility for the years 1978-79, and to minimize any economic impact of a change in the rates moving from historical rates to cost justified rates. Mr. Rhodes indicated that Touche Ross recommended adoption of the rates because they achieved the goals as outlined in the initial report. He then

listed some of the major changes in the rate design as recommended by the consultant. They are as follows:

1. Moving from a non-cost based rate to a cost based rate.
2. Reduction of the blocking structure from as high as five blocks in some classes to no more than two blocks in any class.
3. A seasonal variation in regard to summer/winter pricing.
4. A new fuel clause solely composed of cost of fuel at the current cost. The base rates in the new rate structure will have no fuel costs in them.

Councilmember Himmelblau asked why capital costs were not pro rated over the entire year rather than recovered during the summer period as proposed by the consultant. She asked what impact implementation of such a method would have. Mr. Rhodes indicated that it would reduce the customer's summer bill and increase it during the winter time. He stated, however, that if rates are reduced by 2% in the summer, rates in the winter period may go up by 4% due to the differential in consumption between summer and winter periods.

MR. BRUCE TODD, Chairperson of the Electric Utility Commission, made the following Commission recommendations to the Council:

1. That the revised 1978 revenue requirements as presented by Touche Ross, and the rate forms and amounts needed to produce the revenues be adopted.
2. That the Council instruct the City Manager to appoint a rate management task force as recommended by the consultant. The task force should be a top priority.
3. That the accumulated balance of recoverable fuel costs be recovered from future revenues of the Electric Utility System prior to 1983.
4. To adopt service regulations that become effective at the same time the rates go into effect.

Mr. Todd then read a letter to the Council which elaborated further on the above points (SEE: Appendix 1). Mayor McClellan asked if he would submit copies of the letter to the Council and Mr. Todd indicated that he would. Councilmember Goodman suggested Xeroxing copies so the Council could have the letter that evening. Councilmember Cooke asked how much time the Commission recommended on delaying penalties. Mr. Todd stated that it would be between 28 and 31 days depending upon the month. Mayor McClellan asked about the time factor involved with designing new bills. Mr. Todd pointed out that designing new bills with sufficient information as required by the service regulations would take approximately five or six months.

Mr. Monty Nitcholas, Director of the Finance Department, told the Council in regard to recoverable fuel costs, the cost of fuel paid for by the City is \$28 million. He stated that the auditors agreed that this amount would be recovered by 1983. When asked about the 6 month billing lag, Mr. Nitcholas indicated that the lag keeps bills from fluctuating wildly. In regard to the utility service regulations, Mr. Nitcholas stated that although the electric bill format could be changed as recommended by the Electric Utility Commission, there would be a delay on the inclusion of the Water and Wastewater penalty. Councilmember Cooke asked if an answer could be gotten from the staff on why the penalty was being delayed. Mr. Nitcholas indicated that Mr. Hugh Standifer, Director of the Data Systems Department, was currently working on the programming aspects of the problem.

Mr. Guymon Phillips, Manager of Utility Customer Services, told the Council that the proposed service regulations would include the following:

1. A reduction of penalties from 10% to 5%.
2. Extending the due date from 15 days to one month.
3. A utility turn-on/turn-off cost of \$7.50.

Councilmember Himmelblau asked how the \$7.50 was arrived at. Mr. Phillips stated that this was the cost to the City to initiate new service. He stated that the average, projected turn-on fee for 1978 would be \$4.14. Councilmember Goodman felt that there were other options that could be looked into. He stated that the \$7.50 fee would have a bad impact on mobile residents such as students.

Councilmember Goodman mentioned a voluntary program whereby apartment managers would be responsible for reading meters and utility credit would be passed on automatically to each tenant. MR. RICH ELMER felt that this would be impractical in that apartment managers are not really trained to read meters.

In regard to standby charges for Water and Wastewater, Mr. Nicholas indicated that this was the same as a penalty and that they were in the process of implementing this charge. He indicated that he had nothing further to add at this time.

SPEAKERS/Public Hearing Segment:

MR. BOB MOSSMAN, representing Texas Instruments, made a presentation before the Council (SEE: Appendix II).

MR. GARY WEED, instructor of Energy Resources at Austin Community College, questioned the revenue stability of the proposed electric rates in relation to the low-income consumer. He suggested that the rate structure, as proposed, not be adopted and that the City look into a flat rate structure. He stated that this would potentiate dollar and energy savings. Mr. Weed suggested that the residential segment of the rate structure be reevaluated, as well as the summer demand charge.

MR. ANDY SIEGEL, representing the City-County Lobby Committee, U.T., made a presentation before the Council (SEE: Appendix III).

MR. GARY MCNEIL, Chairperson of the U.T. City-County Lobby Committee, made a presentation before the Council (SEE: Appendix IV).

MR. JIM STOKES, representing the Student Association, told the Council that the \$7.50 on/off fee is high and that students only want fair treatment. He passed out a copy of a resolution passed by the Student Senate concerning the proposed \$7.50 electricity turn-on fee (SEE: Appendix V). Councilmember Himmelblau asked if the Council could receive a report from staff as to how many turn-on's there were in the month of January. City Manager Dan Davidson stated that this would be supplied to the Council.

MR. HERBERT CRUME, an apartment owner, told the Council that projections indicated that utility costs for his complex would increase by 3.1% if the new rate structure is adopted. He felt that apartment residents should receive a break just as homeowners will.

Mayor McClellan announced that no action would be taken on the electric rates that night but that action was scheduled for the regularly scheduled

Council meeting on January 19, 1978.

MR. C.R. DANSBY told the Council that he is currently living outside of Austin but is paying on City utilities. He stated that much of his utility bill was going towards public works and that the City was guilty of taxation without representation.

MR. JOE RIDDELL told the Council that the arrived at tariffs were not justifiable.

MR. JOHN REYNOLDS did not speak on his turn before the Council.

MR. ED NORTON felt that the residence increase of \$10.00 was unfair.

MR. TED HENDRICKS, representing the Austin Apartment Association, believed that the proposal is discriminatory and unfair.

MS. RUTH EPSTEIN appeared to say that she supported 1.4 differential.

MR. ED LAUFFER asked why businesses should be called upon to pay more than other users.

MR. CHARLES GOULDIE stated that he could not understand why a flat rate cannot be used.

MR. TOM BACKUS, representing I.B.M., felt that it would be unfair to charge industry higher rates for electricity.

MR. STEVE STORY, representing the Student Lobby Association, appeared to say that the \$7.50 turn-on fee is too costly.

ADJOURNMENT

After further discussion, the Council then adjourned at 9:50 P.M.

APPROVED

Carol Keeton McEllis
Mayor

ATTEST:

Grace Monson

City Clerk

APPENDIX I

STATEMENT MADE BY BRUCE TODD, CHAIRPERSON, ELECTRIC UTILITY COMMISSION:

"At a time when our electric bills are consuming large portions of our monthly pay, we have continued to operate with a rate structure that is not cost based and is totally indefensible. Perhaps the only reason we have-----because we are in the process of revising our rates and because those people in the best positions to sue us were benefiting from the present rate structure, we've not been taken to court. The rate of return from the various customers classes under the present rates range from a -3.13% to a high of 14.4%, with the latest amount coming from the small business customer. The present rate structure has multiple declining block rates which in addition to not being cost based, do little to promote conservation. It is also inequitable that some summer or some residential customers pay summer/winter differential, while some commercial users do not. The proposed rate structure before you is the culmination of untold hours of work by both consultants and City staff. It cost well over \$100,000 and its been extensively reviewed by the Electric Utility Commission. Obviously it is not a perfect document nor is it possible for any study this complicated to be so. However, much of the deficiencies in the present rate structure have been partially, if not totally, corrected. For those who would complain that the increase is too great for them, it is important to realize that the increase is caused not only by the new rate structure but also by the present rate structure. The proposed rate structure establishes proper rates of return and gives, based on the approved differential, and does not attempt to correct past inequities. If it had done so the impacts would be even greater. The Commission believes the Council's options are to adopt the rate design as it is or to commission a new study. The Commission strongly urges the adoption of the two year rate design.

Concerning the second proposal, the Commission is of the opinion that one of the most important recommendations in this study is the rate management task force. This report is approximately seven months overdue and its cost several thousand dollars over the original estimate. Primary reasons for these overruns has been the lack of analytical data necessary in order to design rates and test the impacts. It appears that no one deemed this information important in the past or if they did so, did not communicate that request to the appropriate City department. While the proposal would not in itself solve this lack of communication or information, it will bring together several City department heads and focus their attention on the problem. As has been previously mentioned by the consultants, the proposed rate design is valid for only two years due to the changing costs within the system associated with conversion to coal and nuclear fuels. What that means is that we must have new rates in approximately two years and the design process should begin immediately. It has become obvious to me that while the administrative guidance to...we have the administrative guidance in the present existing staff, but the technical expertise is not there. I would suggest the Council instruct the Electric Utility Department as to the amount of additional resources needed to obtain the technological expertise, and direct that the rate management task force begin its work immediately.

Regarding the accumulated recoverable fuel costs, we feel it is important to emphasize that the comments...emphasize the comments of the Finance Director (Monty Nicholas) that this largely an accounting and audit problem. This accumulated costs can be written off against any growth in excess of rather conservative projections for the next two years, or additional energy sales such as

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the one you'll have coming before you tomorrow. If this is done, it will not be necessary to bill this cost to the customer.

I have previously addressed the Council concerning the service regulations. The manner and costs for which service is provided to customers is as important as the actual bill. As is the case with the proposed rates, the proposed service regulations correct many inequities and hardships currently existing. Specifically it will eliminate the subsidizing cost associated with serving new customers and that these costs will be directly billed to the new customer. Provides a longer period of time to pay electric bills and assist those who are paid only once a month. It reduces the late penalty to an amount that more reasonably approximates the costs involved. And the last item is that it provides firm guidelines for those in the customer service office who are having to deal with very difficult problems. I have been informed that all these proposals, the new service regulations, can be implemented at the same time as the new rates with the exception of a few involving the bill design which will be deferred for about five months.

That concludes my comments, I'll be glad to answer any questions."

APPENDIX II

TEXAS INSTRUMENTS STATEMENT TO AUSTIN CITY COUNCIL

ELECTRIC RATE HEARING JANUARY 18, 1978

Mayor McClellan and members of the Council

My name is Bob Mossman, representing Texas Instruments.

We appreciate this opportunity to comment on the proposed electric rates.

The rates being proposed are not equitable to large commercial and industrial customers. Present rates already result in these customers providing higher rates of return than all other customers and the proposed rates are designed to increase this inequity. The justification given for making more inequitable an already unfair rate of return is given on page 16 of Touche-Ross' October 6 report:

"It is generally accepted in the utility field that the commercial and industrial type customer groups should produce a higher rate of return than the residential type groups. This is a reflection of the perceived higher risk associated with serving these higher volume customers as well as the increased value of service, ability to pay and tax deductibility of such costs to those groups."

Touche-Ross continues by recommending the rate of return for commercial and industrial type customers be 1.4 times the system rate of return in 1979. There was no data in the Touche-Ross report to support the "Higher Risk" referred to, and no attempt was made to quantify the socio-economic factors of "Value of Service" and "Ability To Pay". We will not enter this argument, except to question how this Council, or any body, is qualified to judge the actual value of electricity and ability to pay of all commercial and industrial customers whose costs are increased by new rates.

In justifying the 1.4 ratio of rates of return, it was stated the present Texas Power and Light rates for large users produce a rate of return of 1.39 times the system rate of return. Selecting an isolated ratio can be misleading. We think the DIRECTION these ratios are taking is more to the point of this hearing. The Texas Power and Light ratio was calculated following the first cost of service study ever prepared by Texas Power and Light. Therefore, from this one number, the direction is not obvious. However, we are informed that Texas Power and Light intends to move toward equalization of rates of return by customer class.

Another affiliate of the same Texas utilities company, Dallas Power and Light, moved toward equalized rates of return in their 1976 rate case and their current rate request continues this trend.

In the electric service rate case, the Public Utility Commission of Texas commented in its final order November 2, 1977:

"The commission is sensitive to the need to move all rates in the direction of costs and is aware that there may be evidence

in the record to support each customer class paying the system rate of return.....it is the desire of the commission to move two toward cost-based rates..."

Howard F. Perry, of the federal energy administration, in a recent Texas rate hearing recommended that "---electricity and all energy forms be priced on the basis of true cost, that there not be subsidies between customer classes or within customer classes----"

The trend is obvious, in recent Texas rate history: an electric utility system serving a third of the state of Texas is already moving toward equalized rates of return, the Public Utility Commission of Texas supports this move toward cost-based rates and the federal government has recommended that there be no subsidies between classes of customers.

IN CONCLUSION:

1. No evidence has shown a higher risk is associated with serving commercial and industrial customers.
2. The 1.4 ratio of rate of return for commercial and industrial customers to system rate of return is contrary to recent moves toward equalization of rates of return.
3. Rates should be based on cost of service and not on social and economic judgements.
4. Higher rates for large users will force review of alternate sources of power.
5. The disparity between rates of return for customer classes, in the proposed rates, is questionable, and we will follow closely the progress being made over the next two years toward an equitable rate structure.

STATEMENT
OF
ANDY SIEGEL, CITY-COUNTY LOBBY COMMITTEE, U.T.
TO
CITY OF AUSTIN CITY COUNCIL

The case I present to you this evening is a rather straightforward, but by no means a simple one. In considering the proposed \$7.50 electric turn-on fee in particular, I ask you to accept as a general overview the concept that in disputed matters of commerce and economy, fiscal responsibility should serve as a primary and elemental criterion by which policies should be propounded, evaluated, and decided. I think whatever your political persuasions, you would agree that this theory is acceptable; most would concur that it is desirable, nay advisable.

As you are well aware, a fiscally responsible policy allows only for the necessary and justified changes to be effected. In so allowing, it guarantees that haphazard and potentially deleterious consequences may be minimized, if not altogether avoided. Accordingly, a fiscally responsible decision is one which is made on the basis of an accurate and adequate bed of knowledge and information; a decision weighed over a sufficient period of time so as to insure that all facets of a multi-faceted matter might be appropriately deliberated upon and explored.

The Electric Utility Commission has recommended, among other suggestions, that this City Council institute a charge of \$7.50 to be assessed as an initial electricity "turn-on" fee. Even the most generous interpretation of this recommendation shows it to be fiscally irresponsible and theoretically unjustified.

I submit that the \$7.50 fee and the reasoning behind its advocacy is, at once, spacious and shallow. In spite of this Council's repeated petitions for such, and despite the City-County Lobby Committee's efforts over the past year, no figures, no statistical abstractions, no valid rationalizations have been offered detailing how and why the Electric Utility Commission arrived at the amount of \$7.50. Indeed, the \$7.50 figure is grossly misleading, not merely because it has been arbitrarily chosen, but also because it is being viewed in relative isolation.

Allow me to introduce the necessary element of comparison: the turn-on fees--or lack thereof--charged by various Texas cities and electric utility companies. The information is taken from an August 5, 1977 memorandum of Guymon H. Phillips (Manager, Utility Customer Services). According to Mr. Phillips' survey, only one utility company charges more than the proposed \$7.50 fee. That company is Texas Power-Light which charges \$9.00. But unlike cities with lower turn-on fees, TLP assesses no penalty interest fee for late payment. Thus, the higher fee seems to be compensated for by nonexistent fees in other areas. Dallas Power-Light and Southwestern Public Service charge a \$5.00 turn-on fee. Houston Light-Power charges only \$4.00, and some three other cities, along with five utility companies (including among others, Texas Electric, Gulf States Utilities, and Central Power-Light) assess no turn-on fee whatsoever.

By comparison then, the \$7.50 fee is unmasked as being inordinately excessive, but comparisons are sometimes subject to objections; This is Austin, not Dallas, the protesters might argue. To answer their objections, let us now consider Austin separately and the costs incurred therein when commencing electrical service. Again, Mr. Phillips provides the figures. In a letter to

the Student Government Association, Mr. Phillips as of September of 1977, estimated, "the cost to initiate service orders will average closer to \$3.88 (for 1977) rather than \$3.75 for the previous year." He continues, "As shown, the average anticipated figure for 1978, is \$4.14."

Sophisticated statistics and intricate calculations aside, one is left in a state of confusion: Having provided no other estimates of service costs, how does the Electric Utility Commission account for their recommendation of a \$7.50 fee? From whence does the additional and discrepant \$3.36 come? We query such as concerned students: you challenge the same as diligent policy-makers. Our questions remain unanswered.

If, as the Commission maintains, money will be lost due to the implementation of other proposed recommendations, new avenues of revenue-raising must be discovered and utilized. But such a revenue-raising scheme must first be thoroughly appraised; the \$7.50 fee has not been. Such a plan must first be chosen the best of other well-evaluated alternatives; no alternatives have been presented, much less analyzed. Such a fee must prove to be equitable and fair; Bruce Todd, chairman of the Electric Utilities Commission is quoted in today's Daily Texan as admitting, "(The turn-on fee) will affect students as a group more than any other group." The \$7.50 fee, even upon cursory examination, surfaces as a discriminatory charge. Deeper analysis proves it to be both economically unsound and pragmatically unjustifiable.

I invite each of you to think and act as the fiscally-responsible, responsive policy-makers you are. I ask you now to emulate a jury's decision-making strategy in a court of law: To demand that any and all new fees or proposed changes be proven necessary and deserved beyond a reasonable doubt. I request that you require the \$7.50 fee to be demonstratively vital and warranted, down to the last penny. I entreat you to heed Longfellow's advice, "to decide not rashly. The decision made can never be recalled."

Thank you for time.

APPENDIX IV

STUDENT GOVERNMENT
THE UNIVERSITY OF TEXAS AT AUSTIN

January 18, 1978

To The Council:

My name is Gary McNeil, chairperson of the UT City/County Lobby. I am a senior American Studies major here tonight representing the students and citizens of Austin and Travis County. Our purpose here is to oppose the \$7.50 charge for turning on electricity.

Mr. Siegel has just presented you our objections on the unsound fiscal matters of the \$7.50 charge. In my testimony, I will describe how the propagation of this proposed charge does not respect the basic nature and habits of a vital part of our city—namely, ourselves, the student and university community.

I wish to state four objections: A) Students are inherently mobile and should not be punished for that fact. B) Students in Austin incur "turn-on fees" without explanation for policy, causing negative attitudes toward government. C) Students see the turn-on fees as another attempt to label the present university community incorrectly. D) The \$7.50 charge reflects an unhealthy precedent in that complete and open public hearings have not been held on an issue which touches the entire community.

Our first objection is that students are mobile. We move in August, January, and May. We move into apartments, duplexes, and homes. This moving is nothing but normal, apartment living is a fact to all students in Austin. There is always the hope of finding a place called home.

Each move brings on a turn-on fee from all utilities: gas, telephone, and water. The telephone company charge alone can vary from 18 to 30 dollars.

Our second objection is that the \$7.50 charge is just another charge that only students incur. The charges add up and contribute to a large portion of student expenses for students on an already tight budget.

The student's first experience with government is a negative one: the government takes with no explanation, no reason. It is a basic American virtue to get what you pay for. We believe that this fiscal practice should follow in the classroom at UT, the same way it does in the real world, from our local government.

Let me state an example of why students feel they are easy sources of revenue. Austin is now in the process of having single unit meters replace multi unit meters in apartment complexes. If the proposed \$7.50 charge exists, each resident will pay \$7.50. We do not feel the work is worth the amount of money.

The student community of Austin is an integral economic and social influence. We object to being labeled as anything but tax-paying citizens.

We pay taxes, school taxes, and spend millions of dollars in the economy. We are learning to become lawyers, real estate executives, doctors, and teachers. Most of us are completely or partially self-funded. Several times we have been charged with past actions of other students at other times, or "papa's spoiled brat who can afford a little charge." We object strenuously to such a myth. We are solid citizens who deserve fairness.

Our fourth objection concerns public hearings. Tonight we have heard that the charge is still arbitrary, yet supported and recommended by three city departments and commissions. We object to policy being preordained before it reaches the people, especially when no actual proof of cost is evident. Tonight this is an official meeting on electric rates for the public. Let us continue until a sound charge can be determined.

In conclusion, the students are against the \$7.50 charge because in the present form it is fiscally unsound and directly conflicts with our interests and living patterns. We ask for fairness and public attention.

Thank You.

APPENDIX V

A RESOLUTION CONCERNING THE PROPOSED
\$7.50 ELECTRICITY TURN-ON FEE

WHEREAS: In the student elections in the spring of 1976 many of the candidates pledged to work toward achieving fair electric rates for the student community in Austin; and

WHEREAS: The City-County Lobby Committee, the Students' Association Committee organized to represent the students' interest in Austin and Travis County, has worked since August to stop the proposed \$7.50 electricity turn-on fee; and

WHEREAS: The Student Senate will not meet again until January, a period of approximately one month; and

WHEREAS: During this absence the City Council may schedule action on the proposed \$7.50 charge;

THEREFORE BE IT RESOLVED BY THE STUDENT SENATE OF THE UNIVERSITY OF TEXAS AT AUSTIN THAT:

We support the work and actions of the City-County Lobby Committee in stopping the \$7.50 charge;

AND BE IT FURTHER RESOLVED THAT:

The Student Senate appropriate \$100 to the City-County Lobby Committee to help organize the student community on the \$7.50 issue.

Respectfully submitted,

Gary McNeil, Chairperson
City-County Lobby Committee

John Armstrong, Student Senator,
Education

Scott Campbell, Student Senator
At-Large

Jim Stokes, Student Senator
At-Large

George B. Hill, Student Senator
Social & Behavioral Sciences

Peggy Padilla, Student Senator
At-Large

November 30, 1977